



Opco Limited
54 Eastmoors Road
Cardiff CF24 5NN

Tel: 08701 646726
Fax: 08702 646726

www.opco-construction.co.uk



opco



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Opco Ltd
Annual Report 2004/5

Wales' leading construction company



At Opco we believe...

people are our scarcest and costliest resource but our greatest asset.

Their understanding of our clients' business **processes**...

and effective **communication** of ours...

together with the use of appropriate **technology**...

will deliver superior client value.

As Chairman and Managing Director of Opco Ltd, I am pleased to present the annual report and accounts for the year ended 31 August 2005, our fourth year of trading.

I am delighted that, having achieved an operating margin of 2.5% in last year's results, we have further improved our return to 3.0% this year on a slightly reduced turnover of £27.8m. This turnover reflects a year of consolidation following our first three years of unparalleled growth, which resulted in us winning the 2004 *Western Mail* Fast Growth 50 award. This period has allowed us to focus on our people and processes and enabled us to look forward with confidence to our 2006 year end, where we will report turnover of £60m, a further doubling in size.

I believe that this business performance is testament to our continuing belief in our three key business principles:

- We are a relationship-based company. This is fundamental to our business strategy. We continue to focus on forging strong, long term relationships with our clients as we consider them to be the most important contributor to our success.

- Growth is an imperative. Our clients' needs drive our business, so we grow alongside them. Profitable growth is what all our stakeholder groups - clients, employees, shareholders, and commercial partners - desire most from us.
- People are our greatest asset. Employee talent is the cornerstone of our success. Their expertise and capabilities win us the work, meet the objectives, create value for our clients and generate loyalty in our partners.

On behalf of the Board, I would like to take this opportunity to thank our clients for their continued support and our staff and commercial partners whose efforts form the foundations of our business.

Nick Kelly

Chairman and Managing Director



2004/5 - A year of construction

**Client:**

George Wimpey, Cardiff

Project:

ISIS, Cardiff Bay

**Client:**

Sarak Developments Limited

Project:

Wedal Road Doctors Surgery,
Cardiff

During the year, we completed the first phase of the ISIS development in Cardiff Bay, totalling 74 apartments. The second phase of the scheme is already underway, comprising a further 80 apartments, which will be completed in April 2006. Following the year end, work has begun on the first block of Phase 3 for completion in August 2006. The final part of the development will take the total number of apartments to 355, with a contract value of £24m, and will be completed in November 2007.

Our continued belief in developing a mixed business portfolio led us to expand our product offering with the completion of a new multi occupancy doctor's surgery and pharmacy at Wedal Road, Cardiff. This project was delivered from a client concept brief into a completed 'turn key' project in less than 12 months and builds on our design and build healthcare portfolio.

Highlights include:

- Our first public sector project for Cardiff Council to build an archeologically-sensitive new visitor centre inside the walls of Cardiff Castle.
- Continued work and award of new phases with one of our core clients, Westbury Holdings Ltd, on its prestigious Century Wharf development in the heart of Cardiff Bay.

- The schemes in Dumballs Rd, Cardiff Bay will have a total construction value in excess of £120m on completion, as well as generating some staggering statistics, with over six million bricks laid and 60,000m³ of concrete poured!
- The fit out theme is continued with the award of a £4m contract for CS1000 at the Celtic Springs office complex near Newport, where the HM Prison Service is locating its new shared service centre for human resources and finance.



Client:
Westbury Homes

Project:
Century Wharf

The £90m six phase construction project commenced on site in 2000 and is scheduled for completion in December 2007. We completed Phase 4, which had a construction value of £24m in August 2005, and are currently working on Phase 5, which is due for completion in July 2006. The sixth and final phase of the scheme is due to start on site in January 2006. On the back of the success of this scheme, we have started work on the Muller House Scheme in Bristol for Westbury's South West division.

Summary of Our Achievements

People



**James Coombs
and Nigel Coulter**

Operations Directors

We have made a number of recent strategic additions to the senior management team to allow us to meet our planned expansion programme, maintain our commitment to delivering high quality client service and ensure quality of earnings. With a workforce of 111, we pride ourselves on creating attractive opportunities and retaining talented individuals. We create an environment where our employees meet fresh, exciting challenges and experience the satisfaction of a job well done. Significant investment in staff training has led to the development of our homegrown Role Rotation Programme, which provides graduates and undergraduates with structured career development, exposing them to all the departments within the business. We continue to involve all staff in a consultative training process managed by Lloyd Masters Consulting to further improve core people skills within the business. This resulted in a series of coaching workshops in the year, which we see as a key component of our staff skill set, helping them to deliver greater value in their everyday work.

Process

In our continued drive towards greater productivity, we have set out to outline our essential business processes through the development of the Opcode. Opcode is a

statement of the processes that underpin the running of our business. It ensures that we understand how the overall scope of the project, and those of our commercial partners, interact with our clients' business interests. By deepening our understanding of the overall project, we are better equipped to predict project outcomes, increase productivity and deliver tangible financial benefits for our clients.

Technology

During the year we centralised our complete IT system, allowing all sites access to our central servers with better connectivity and a faster, more flexible mobilisation of new sites. We plan to further develop our technology platforms and data capture capability in the new financial year. We will be implementing an intranet based administration system with the Opcode at its core. We are actively working on the deployment of a business procurement and payment system, the installation of an in-house estimating functionality and the roll out of our site entry management system. This is all in addition to the continued improvements being made to our bespoke software for Defects Management and Activity Monitoring.

Communication

Communication is key to the success of any project and our focus is to enhance and develop our communications channels on an ongoing basis. Through close client liaison, understanding customer needs and supportive working relationships, we seek to encourage and promote total awareness and create understanding of the clients' needs at every stage. This enables projects to proceed smoothly from beginning to end.

Overview of Financials and Business Forecast

Set out in this annual review are headlines of our profit and loss account for the year ending 31st August 2005, with a summary balance sheet.

Having laid firm foundations in 2005, we have a stable platform from which to launch our future plans for expansion.

We continue to win our share of new work with recent awards for an office block in Newbridge, an office block and multi storey car park in Pontypridd, a new departures facility at Cardiff airport and an apartment scheme in Cardiff.

Our order book at present is in excess of £100m and this continues to be underpinned by significant levels of repeat business.

In the coming year we will double company growth once again and achieve a £60m turnover while maintaining top quartile industry margins. This has been achieved by continuing to develop our core client relationships, and, where appropriate, adding new clients to ensure a mixed business portfolio.

While south Wales will remain the core focus for the business, further geographical expansion is already underway and will form part of Opco's continued growth strategy.



Stuart Epps
Finance Director

Report of the Independent Auditors to the Shareholders of Opco Ltd

We have audited the financial statements of Opco Ltd for the year ended 31 August 2005. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the company's affairs as at 31 August 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Broomfield & Alexander Limited
30th November 2005



Profit and Loss Account for the Year Ended 31 August 2005

	Notes	2005	2004
TURNOVER		27,809,123	32,476,401
Cost of sales		25,168,415	30,087,535
GROSS PROFIT		2,640,708	2,388,866
Administrative expenses		1,806,680	1,578,315
OPERATING PROFIT	3	834,028	810,551
Interest receivable and similar income		28,644	45,785
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		862,672	856,336
Tax on profit on ordinary activities	4	267,000	264,000
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		595,672	592,336
Dividends	5	-	301,410
RETAINED PROFIT FOR THE YEAR		595,672	290,926

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current and previous years.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profits for the current and previous years.



Balance Sheet Year ended 31 August 2005

	Notes	2005		2004	
		£	£	£	£
FIXED ASSETS					
Tangible assets	6		299,053		47,474
CURRENT ASSETS					
Debtors	7	5,071,568		7,159,206	
Cash at bank		2,300,823		1,263,345	
Total		7,372,391		8,422,551	
CREDITORS					
Amounts falling due within one year	8	6,133,058		7,527,311	
NET CURRENT ASSETS			1,239,333		895,240
TOTAL ASSETS LESS CURRENT LIABILITIES			1,538,386		942,714
CAPITAL AND RESERVES					
Called up share capital	10		200,000		200,000
Profit and loss account	11		1,338,386		742,714
SHAREHOLDERS' FUNDS	15		1,538,386		942,714

ON BEHALF OF THE BOARD:

N Kelly - Director

Approved by the Board on 30 November 2005



Notes to the Financial Statements for the Year Ended 31 August 2005

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention.

Turnover

Turnover represents amounts invoiced to outside customers, except in respect of contracting activities where turnover represents the value of work carried out during the year including amounts not invoiced. Turnover excludes value added and similar sales-based taxes.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Computer equipment	50% straight line
Fixtures & fittings	25% straight line
Improvements to property	Over term of the lease

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the profit and loss account as incurred.

Pensions

The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

Profit recognition on contracting activities

Profit on individual contracts is taken only when their outcome can be foreseen with reasonable certainty, based on the lower of the percentage margin earned to date and that prudently forecast at completion, taking account of agreed claims. Full provision is made for all known or expected losses on individual contracts, taking a prudent view of future claims income, immediately such losses are foreseen.

Deferred taxation

Provision is made in full for all taxation deferred in respect of timing differences that have originated but not reversed by the balance sheet date. No provision is made for taxation on permanent differences. At 31 August 2005, no provision is required in respect of deferred taxation.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

2. STAFF COSTS

	2005 (£)	2004 (£)
Wages and salaries	2,389,317	1,942,613
Final Dividend	259,230	205,671
Pension costs	59,002	46,750
Total	2,707,549	2,195,034

The average monthly number of employees during the year was as follows:

	2005	2004
Operational staff	70	68
Administrative staff	15	10
Total	85	78



Notes to the Financial Statements - continued for the Year Ended 31 August 2005

3. OPERATING PROFIT

The operating profit is stated after charging:	2005 (£)	2004 (£)
Hire of plant and machinery	654,202	743,488
Depreciation - owned assets	59,883	39,133
Auditors' remuneration	12,350	11,900
Directors' emoluments	147,317	-
Directors' pension contributions to money purchase schemes	11,633	-
The number of directors to whom retirement benefits were accruing was as follows:		
Money purchase schemes	2	-

4. TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

Current tax:	2005 (£)	2004 (£)
UK corporation tax	267,000	264,000
Tax on profit on ordinary activities	267,000	264,000

Factors affecting the tax charge

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

Profit on ordinary activities before tax	2005 (£)	2004 (£)
Profit on ordinary activities	862,672	856,336
multiplied by the standard rate of corporation tax in the UK of 30% (2004 - 30%)	258,802	256,901
Effects of:		
Depreciation in excess of capital allowances	4,657	4,557
Non deductible expenses	695	(161)
Expensive leased vehicles	2,846	2,703
Current tax charge	267,000	264,000

5. DIVIDENDS

	2005 (£)	2004 (£)
Equity shares:		
Social security	-	301,410

Notes to the Financial Statements - continued

for the Year Ended 31 August 2005

6. TANGIBLE FIXED ASSETS				
COST	Improvements to property (£)	Fixtures and fittings (£)	Computer equipment (£)	Totals (£)
At 1 September 2004	-	12,712	117,122	129,834
Additions	149,527	74,690	87,245	311,462
At 31 August 2005	149,527	87,402	204,367	441,296
DEPRECIATION				
At 1 September 2004	-	6,356	76,004	82,360
Charge for year	13,776	5,955	40,152	59,883
At 31 August 2005	13,776	12,311	116,156	142,243
NET BOOK VALUE				
At 31 August 2005	135,751	75,091	88,211	299,053
At 31 August 2004	-	6,356	41,118	47,474

7. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2005 (£)	2004 (£)
Trade debtors	1,042,097	2,033,941
Amounts due from parent company	1,608,332	1,112,000
Social security and other taxes	131,967	379,081
Amounts recoverable on contracts	1,230,100	2,436,526
Other debtors	948,861	1,052,414
Prepayments	110,211	145,244
Total	5,071,568	7,159,206

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2005 (£)	2004 (£)
Trade creditors	987,078	927,972
Corporation tax	105,225	300,643
Social security and other taxes	116,346	61,785
Proposed dividends	-	38,460
Other creditors	10,502	10,930
Sub contractor creditors	799,594	838,615
Advance progress applications	705,105	72,064
Accruals & deferred income	3,409,208	5,276,842
Total	6,133,058	7,527,311



Notes to the Financial Statements - continued for the Year Ended 31 August 2005

9. OPERATING LEASE COMMITMENTS

The following operating lease payments are committed to be paid within one year:

	Land and Buildings		Other Operating Leases	
Expiring:	2005 (£)	2004 (£)	2005 (£)	2004 (£)
Within one year	20,320	-	9,181	14,189
Between one and five years	35,000	-	27,697	75,745
Total	55,320	-	36,878	89,934

10. CALLED UP SHARE CAPITAL

Authorised, allotted, issued and fully paid:

Number:	Class:	Nominal Value:	2005 (£)	2004 (£)
200,000	Ordinary	£1	200,000	200,000

11. RESERVES

	Profit and loss account (£)
At 1 September 2004	742,714
Retained profit for the year	595,672
At 31 August 2005	1,338,386

12. ULTIMATE PARENT COMPANY

In the opinion of the directors the ultimate parent company is Nevrus Limited, a company registered in the UK, (company number, 04148659). The consolidated accounts of Nevrus Limited are publicly available and can be obtained from Companies House, Crown Way, Maindy, Cardiff.

13. RELATED PARTY DISCLOSURES

Transactions with other companies within the group have not been disclosed as the company has taken advantage of FRS8 (Related Party Transactions).

14. ULTIMATE CONTROLLING PARTY

In the opinion of the directors the ultimate controlling party is Mr N Kelly.

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005 (£)	2004 (£)
Profit for the financial year	595,672	592,336
Dividends	-	(301,410)
Net addition to shareholders' funds	595,672	290,926
Opening shareholders' funds	942,714	651,788
Closing shareholders' funds	1,538,386	942,714
Equity interests	1,538,386	942,714

Company Information for the Year Ended 31 August 2005

DIRECTORS: P I Jones
N Kelly
J Coombs
N Coulter
S Epps

SECRETARY: S Epps

REGISTERED OFFICE: 54 Eastmoors Road
Cardiff
CF24 5NN

REGISTERED NUMBER: 04252113 (England and Wales)

AUDITORS: Broomfield & Alexander Limited
Registered Auditors
Chartered Accountants
Pendragon House
Caxton Place
Pentwyn
Cardiff
CF23 8XE

